

Wealth Markets and Commerce

Finance - Economics

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Monday, September 24, 1917

In announcing the prices fixed for iron and steel the government has removed from the financial and industrial situation an element of uncertainty which for some time has had a restraining influence. Judging from the expression of opinion of the steel men and from the action of the stock market after the publication of the new price schedule, the figures named are to be regarded satisfactory, both from the standpoint of the producer and the consumer. The prices fixed are for all consumers, the public as well as the allied governments. The fact that the schedule as agreed upon by the steel trade and the War Industries Board after months of discussion represents reductions of 40 to 70 per cent from the current market quotations really means little. Prices in the open market have long been abnormal, the result of a situation in the steel industry which has given the producer absolute control. It has been a sellers' market in which the consumer has had to pay about what the trade would. In most cases this has been three, four and five times above the pre-war levels. The new schedule will eliminate a large part of the inequalities of the market and put the private consumer on the same basis as the government.

Ship plates, which have been selling in the open market at \$175 to \$200 per ton, figure out \$65 a ton under the new price of \$9.25 per one hundred pounds. Owing to the unprecedented demand for steel plates for shipbuilding purposes, this item has been the most erratic and abnormal in the market for steel products. Production being limited and demand being suddenly enlarged to huge dimensions, prospective buyers of plates have been compelled to bid enormous prices. The Japanese government is said to have offered lately \$240 a ton for plates in this market. Steel bars quoted at \$90 a ton, in the trade will be fixed at \$58 a ton; steel shapes at \$60 a ton, against an open market quotation of \$115 a ton. The reductions authorized in prices for the basic materials out of which steel is made are extremely important to the independent steel manufacturers who have to buy their pig iron and coke. This does not affect the United States Steel Corporation as much as it does the smaller steel companies like the Lackawanna Steel and others. The government in its new price fixing programme has lowered the quotation at which the steel trade can sell its products, but it has offset this by reducing the costs of production. Pig iron, under the new order of things, will cost the steel makers \$33 a ton, where they recently have been paying \$58. Similarly coke, which has sold lately at \$15 to \$16 a ton, will be marketed at \$6 a ton.

The arbitrary fixing of prices by the government at a level substantially under the open market quotations might naturally be expected to reduce production. But this possibility will be guarded against by the agreement which places it in the hands of the government to see that the output is maintained. Operations of the various mills will be under the working of the new programme supervised by the government board. Labor is not overlooked in the readjustment, for wages will be held where they are. It is significant that the government sees the necessity of maintaining the wage scale. In the case of the copper price agreement it was also provided that no change be made in the wage schedule.

The stock market waited to hear what the steel trade had to say about the government's price schedule and then prices, which had hung heavy and irregular most of the day, marched forward vigorously. Steel common led the way, advancing 2 points to 115½, after selling early in the day at 109½. Last July, when President Wilson delivered his "one price for all" announcement, steel was selling around 125. Since then it has fallen to 103½. This latest recovery is therefore the most pronounced made since the recent decline. Gains in other steel stocks were large, Republic Iron and Steel, one of the independents, running forward 2½ points. Industrial specialties, notably the motor shares, also did better, apparently on the belief that the new prices will mean substantial cuts in material costs. The forward movement in stock prices was largely brought about by the hurried buying of a large short interest. Sentiment on all sides has apparently been cheered by the removal of the uncertainties arising out of the long delay in the fixing of prices for copper and steel.

The first of the railroad operating

reports for the month of August has come to hand in the Southern Pacific's statement. It shows that traffic between here and the Coast, at least so far as this road is concerned, is being well maintained. The Southern Pacific's gross earnings in August aggregated \$16,716,324, a new high record, an increase of \$1,552,842 over the corresponding month of last year. Net revenues aggregated \$6,997,478, an increase of \$705,634 over a year ago. Both of these items were the largest in the history of the property.

Money and Credit

Quiet conditions prevailed in the money market. Improvement in the cash position of the local banks did not bring any change in rates, which generally held where they closed last week.

At the Stock Exchange call money was in liberal supply at 4 per cent. A small amount of business was done at 3½ per cent.

There was a fair demand for time loans based on Stock Exchange collateral, and rates held firm at 5½ to 6 per cent.

Ruling rates for money yesterday, compared with a year ago, were as follows:

	Yesterday	Year ago
Call money.....	4%	2½%
Time money (mixed collateral):		
60 days.....	5½%	3½%
90 days.....	5½%	3½%
4 months.....	5½%	3½%
6 to 12 mos.....	5½%	3½%

Commercial Paper.—The market was maintained yesterday on a 5½ per cent basis.

Official rates of discount for each of the twelve Federal districts are as follows:

	Days	Over	Over
	15 or less	16 to 30	31 to 90
Boston.....	3½	4	4
New York.....	3	4	4
Philadelphia.....	3½	4	4
Cleveland.....	3½	4	4½
Richmond.....	3½	4	4½
Atlanta.....	3½	4	4½
Chicago.....	3½	4	4½
St. Louis.....	3½	4	4½
Minneapolis.....	4	4½	4½
Kansas City.....	3½	4	4½
Dallas.....	3½	4	4½
San Francisco.....	3½	4	4½

Bank Clearings.—The day's clearings at New York and other cities:

	Exchanges	Balance
New York.....	\$427,270,385	\$40,590,405
Baltimore.....	6,957,862	35,329
Boston.....	27,022,968	5,177,719
Chicago.....	81,129,796	4,279,159
Philadelphia.....	51,587,328	7,595,599
St. Louis.....	26,369,062	5,671,002

Silver.—Bills in London, 55d. unchanged; New York, \$1.08½, unchanged; Mexican dollars, 87c. unchanged.

Sub-Treasury.—New York banks paid from the Sub-Treasury \$2,503,000.

London Money Market.—LONDON, Sept. 24.—Money was in increased supply at 4 per cent. Discounts were quiet at 4½ per cent for short bills and 4½ to 5 per cent for three months' bills. Suspension of the issuance of the five-year 5 per cent exchequer bonds led to the belief that a fresh issue of shorter term bonds, redeemable at a premium, was contemplated, or that there would be a resumption of the offering of yearling Treasury notes.

Boston Bank Statement.—The weekly return of the Boston banks disclosed an increase of \$1,212,000 in cash and an increase of \$433,000 in loans and discounts.

The Dollar in Foreign Exchange.

Exchange rates moved narrowly yesterday in a dull market. Russian rubles were slightly easier.

	Yesterday	Week
Sterling, demand.....	\$4.75½	\$4.75½
Sterling, sixty days.....	4.71½	4.71½
Sterling, cables.....	4.76½	4.76½
Sterling, ninety days.....	4.69½	4.69½

(Quoted cents to the dollar.)

	Yesterday	Week
Francs, demand.....	5.79½	5.79
Francs, cables.....	5.78½	5.78
Francs, sixty days.....	5.76	5.76
Francs, ninety days.....	5.75	5.75
Swiss, cables.....	4.68	4.70
Swiss, demand.....	4.66	4.68

(Quoted cents to the unit.)

	Yesterday	Week
Guillemots, cables.....	42	42½
Guillemots, demand.....	42½	42½
Rubles, cables.....	17.50	16.50
Stockholm, kr., cables.....	33.80	35.60
Copenhagen, kr., cables.....	20.70	30.70
Pesetas, cables.....	23.20	22.40

Below is given the current exchange value of foreign money in dollars and cents, together with the intrinsic gold parity, as calculated by the United States Mint:

	Current	Exchange	Intrinsic
Pounds, sterling.....	0.475½	\$4.75½	\$4.86½
Francs.....	0.173	0.193	0.193
Guillemots.....	0.42	0.42	0.42
Rubles.....	0.129	0.129	0.129
Swiss, cables.....	0.137	0.137	0.137
Crowns (Denmark).....	0.130	0.130	0.130
Crowns (Sweden).....	0.133	0.133	0.133

The above rates express the cost of foreign money in terms of the American dollar. You buy an English pound sterling at, say, \$4.75½. The intrinsic parity is \$4.86½ per pound. Thus, you say either that pounds are at a discount or that dollars are at a premium, which is owing to the fact that in England the demand for dollars with which to settle accounts in this country is greater than the demand in this country for pounds with which to settle accounts in England.

India Takes Action to Check Inflow of Gold

British Authorities Devise Way to Discourage Shipments From U. S.

Steps have been taken by the government of India to check the inflow of gold into that country, according to a cable received here yesterday by the National Bank of Commerce. The cable, which came from a leading bank of India, stated that as long as the exchange rate in that country stands at 1 shilling 5 pence per rupee, the Indian financial authorities will acquire all gold imported into the country on a basis of one rupee for 7.7921 grains of fine gold. This figure, it is stated, will be to discourage the shipment of gold into India.

It is generally recognized that the British Treasury is behind the latest move on the part of the Indian financial authorities. For some time past the British have looked with disfavor upon the heavy shipments of gold from the United States, inasmuch as the gold that was going out originally was shipped to the United States from the British board.

Gold acquired by the Indian government under the new arrangement will be placed in the currency reserve, where it will increase the metallic backing to the note issue, and will, in the form of sovereigns, be readily available for use as currency when the government of India requires it.

By aimed withdrawal of the government of India has also issued a rule under the defence of India act prohibiting the melting down or breaking or use otherwise than as currency of any gold or silver coin which is legal tender in India.

Shipments From U. S. Affected

The reduction in the amount of rupees that can be bought in India with the gold shipped there is expected to check the movement of the metal from San Francisco to Bombay, which has reached substantial proportions in recent weeks. Owing to the fact that the Indian government has imposed a ban on all imports and exports of silver and there is an insufficient supply of exchange on India available in this market, American importers of Indian raw materials such as jute, hemp, etc., have found about the only way they could make payment was through shipping gold to India.

Local Bank Withdraws Gold

There was withdrawn from the local Sub-Treasury yesterday \$2,000,000 in gold coin, which was deposited in the vaults of the Guaranty Trust Company to the credit of an international foreign bank, the name of which was not disclosed. While the transaction was to all intents and purposes the same as if the gold had been withdrawn for export, no license was required as it will not go out of the country.

By aimed withdrawal of the Argentine government has on deposit with New York banking institutions about \$19,000,000, which it uses as reserve against the issuance of paper currency at home.

United States Prohibits Gold Exports to Spain

WASHINGTON, Sept. 24.—In order to carry out the government's policy governing the conservation of gold, the Treasury officials have virtually decided upon a policy prohibiting the export of that metal to Spain. No gold has been licensed for export to Spain since the President's proclamation became effective, except several small shipments already loaded aboard steamships.

Exports of gold to Spain had been growing steadily up to the time of the President's proclamation. Between January 1 and September 1 of this year the volume approximated \$88,000,000, the largest recorded in any similar period of time. It was adverse to the trade balance, which was in favor of the United States on September 1, to the extent of \$50,000,000.

Brazil Buys \$8,000,000 Italian War Bonds

According to the last report of the British Bank of South America, dealing with conditions in South America, nearly 40,000,000 lire (\$8,000,000) have been subscribed in Sao Paulo to the recent Italian war loan. It is said that this money will probably not be remitted to Italy, but will be retained to pay for exports to that country.

Significant Relations

Money and Prices:

	Now	A year ago
Stock of money gold in the country.....	\$3,060,991,378	\$2,548,241,473
Loans of all national banks.....	\$8,818,312,000	\$7,679,162,000
Their surplus reserve.....	841,931,000	801,000,000

Bills discounted and bought by Federal Reserve Banks:

	Now	A year ago
Federal Reserve notes in circulation.....	\$344,770,000	\$111,590,000
Total gold reserve.....	\$60,246,000	\$19,635,000
	1,402,317,000	\$509,978,000

Average price of 15 railroad stocks..... 103.58

Average price of 12 industrial stocks..... 102.70

Food cost of living (Annalist index number)..... 176.798

Production:

	Unfilled U. S. Steel orders, tons.....	Aug. 1 to Sept. 1	Aug. 1 to Sept. 1
Pig iron (daily average), tons.....	104,772	107,820	103,345
Active cotton spindles.....	33,430,016	33,396,635	32,292,103

Wheat crop, bushels..... 668,000,000

Corn crop, bushels..... 3,248,000,000

Cotton crop, bales..... 12,499,000

Distribution:

	Net unfilled freight car requisitions.....	Sept. 1 to Sept. 1	Sept. 1 to Sept. 1
Gross railroad earnings.....	31,991	33,776	19,783
Bank clearings.....	1,149	1,137	1,394

Commercial failures.....

*Gold held by Reserve agents against circulation included in general fund beginning June 23, 1917. For purposes of comparison it is included in the 1916 figures.

Strikes Cause Drop in Earnings OF N. Y. Railways

Gross operating revenue of the New York Railway Company for the year ended June 30 last, according to the company's annual report, amounted to \$11,494,109, a decrease of \$2,220,422, compared with the preceding twelve months. Net operating revenues aggregated \$3,625,299, a decrease of \$1,715,153. After all charges, including taxes and interest deductions, there was a deficit of \$1,144,731, compared with a surplus of \$270 in 1916.

Theodore P. Shonts, president of the road, says the greater proportion of the decrease in gross revenues may be attributed to the strikes which became effective on the company's lines in August and September, 1916. Advances in daily, weekly and monthly rates of pay have been granted during the year resulting in an annual increase of approximately \$637,000 in the wage distribution to the men.

Relevant Facts

Superior Steel Corporation.—Directors yesterday declared an initial dividend of \$1.50 a share on the common stock, payable November 1 to stockholders at the rate of 8 per cent per annum are being paid on the first and second preferred stocks, and in addition about \$1,000,000 of the preferred stock has been retired out of earnings this year. For the seven months ended August 31, 1917, earnings averaged above \$250,000 monthly.

Kerr Lake Mining.—Report for the year ended August 31, 1917, shows total sales amounting to \$1,716,460, compared with \$1,212,676 in the previous year. Gross income totalled \$1,909,461, against \$1,480,165, and net income totalled \$2,346,421, against \$2,003,585 a year ago. The balance after depreciation and reserve for contingencies was \$1,446,421, equal to \$10.65 a share on \$14,385,500 capital stock. Dividends of \$1,305,748 were paid during the year, against \$1,131,804, in the previous year, leaving a surplus of \$140,675, an increase of \$43,385.

Consolidated Gas, Electric Light and Power of Baltimore.—Gross income for the fiscal year ended June 30, 1917, according to the annual report issued yesterday, amounted to \$4,498,809, compared with \$7,431,769 in the year preceding. Operating expenses and taxes increased from \$3,848,076, in 1916, to \$4,801,165, and net income totalled \$2,346,421, against \$2,003,585 a year ago. The balance after depreciation and reserve for contingencies was \$1,446,421, equal to \$10.65 a share on \$14,385,500 capital stock. Dividends of \$1,305,748 were paid during the year, against \$1,131,804, in the previous year, leaving a surplus of \$140,675, an increase of \$43,385.

Jewel Tea.—Sales for the four weeks ended September 8 totalled \$1,125,169, an increase of 16.74 per cent over the corresponding period a year ago, and for the thirty-six weeks ended September 8 sales increased \$520,194, to \$1,041,297, or 31.61 per cent.

Helping French Farmers

The Council General of the Department of the Loire calls attention of French agriculturists to the voting of the sum of 600,000 francs (\$115,800) to aid in encouraging young farmers and avoiding abandonment of farming lands, with the details of the plan of distribution of these funds. By this credit any married farmer above thirty years of age who has not been mobilized, and of thirty-five years who has been mobilized, who will contract to remain for ten years at the head of a farm of from eight to ten hectares (20 to 24 acres), will be given a non-returnable loan, or what amounts to practically a gift of modern farm machinery and tools or other necessary equipment or material to the value of 1,000 francs (about \$200). For each ten hectares of tract of land, the first ten hectares a loan of 500 francs in kind up to 2,000 francs for operating a farm up to 40 to 60 hectares, which will be repayable in fifteen years. In order to care for additional future expense to the beneficiary a considerable reduction will be made in these payments for each child born after entering the obligation and exploitation of the farm. It is believed that these measures of assistance will overcome the tendency of young farmers to feel afraid of assuming future obligations, the fear of which causes them to seek other fields of endeavor to the detriment of the food producing requirements of the department.

Food Problems Still Unsolved

That the people of this nation can easily supply this deficiency by reducing the amount of sugar used at meal times from an extravagant surplus to an adequate amount was shown as an example of the conservation which every family should practice. He advocated the use of perishable foods instead of cereals and poultry instead of red meats, as the tonnage available for carrying food abroad is available for the intensive foods only, which therefore must be largely replaced at home by perishable products, which cannot be transported overseas, but are produced practically at the doors of the consumer.

P. W. Goebel, president of the association, strongly urged the bankers to make war on their business, as it has become the business of the nation, and to exert every educational influence and financial aid for wartime needs in the various bankers' associations cover like a blanket.

Frank Pierson, Assistant Secretary of Agriculture, said that while our allies are largely dependent on us for wheat to maintain their armies and their industries and must have from us 600,000 bushels of our wheat production for the year will be but little more than our consumption.

"From an estimated yield of 700,000,000 bushels our indicative consumption of 600,000,000 bushels is but a part of our meeting an obligation to feed our allies."

"Only the substitution of a great volume of other cereals for wheat in domestic war will serve to free us over until the estimated yield of 1,000,000,000 bushels through increased production matures in 1918."

Surplus of Iron Ores

Reported in Russia

The iron mining interests of Southern Russia, according to a consular report, have approached the Ministry of Commerce and Industry with a memorial setting forth that owing to the lessened activity of the metallurgical industries they have been accumulating an unsalable surplus of iron ores. It is estimated that on July 14 they had available ores sufficient for nearly six months of normal operation of the metallurgical works. The Krivoyog mines are producing upward of 90,000 short tons a month more than the furnaces require. If the mines continue through the year at their present rate of production the ore reserves will have increased almost 2,400,000 short tons. Naturally, the iron mine interests are feeling the burden of obligatory production at a high rate, with so much of their capital invested in surplus ores. This investment, at the present rate of progress, will have amounted by the end of the year to upward of 15,000,000 rubles. [At the time this report was written the ruble was quoted at 21 to 22 cents.] The cost of production increased from 1.75 rubles per short ton in March, 1914, to 2.79 rubles in April, 1917. Upon the introduction of the wage scales that the mine owners have agreed to, the costs of production have amounted to 4.59 rubles per ton, and if all the demands of the operators should be granted they would amount to 7.54 rubles.

News Digest

Foreign

Argentine Railroad Stocks Weak.

LONDON, Sept. 24.—The stock market was quiet with a steady tone. A feature of the trading was a large business in rubbers and specialties. Mining and metal shares were firm. The usual weekly investment business was done in gift edged issues. Argentine rails were weak, being influenced by the strike. American stocks were dull.

Paris Bourse.—PARIS, Sept. 24.—Trading was quiet on the Bourse. Three per cent rentes, 61 francs for cash; exchange on London, 27 francs 18

Bankers to Save Millions a Year by Mutual Insurance

American Association Votes to Form Company of Its Own

ATLANTIC CITY, Sept. 24.—Financial institutions that constitute the membership of the American Bankers' Association have voted by an overwhelming majority to escape high insurance rates through the organization of a mutual company that will take annual premiums of approximately \$10,000,000 from the coffers of the companies in which they now carry policies. The association opened its annual convention here to-day.

The mutual insurance plan, as tentatively outlined, would include depositary, fidelity and burglary insurance, upon which banks throughout the country last year paid an estimated total of \$9,775,000 in premiums. Since they recovered but slightly more than \$100,000 of this sum in losses made good by the insurers, the bankers insist that the rate is exorbitant.

As yet the mutual insurance plan has not been passed upon by the association as a whole, which will hold the first business session of its annual convention to-morrow. But the referendum vote of the members, recently completed, shows such a large majority in favor of the project that definite action is expected as one of the first acts of the convention.

The complete vote showed 5,068 banks favoring the plan and 613 against it. Those favoring the project were divided upon the question of whether the new institution should be mutual or a stock company, with the mutual advocates leading by three hundred votes.

Will Help Agriculturists

The vote ordered by the executive council at its last meeting at Briarcliff Lodge in the result of long complaint of what the bankers call exorbitant insurance rates. Reductions have been made, but not enough, the bankers insist, to justify the rates now being charged.

The American Bankers' Association is paying a detective agency to make the country an unwholesome place for criminals who have the temerity to attempt fraud upon any of its members. Moreover, it has adopted practically every new safeguard against safe burglars, burglar and thieves as rapidly as they have come out. But the insurance companies, they argue, have failed to recognize this fact by reducing rates. Therefore the proposed bankmark in an insurance plan that will have a marked effect upon the insurance business throughout the country.

The bankers went on record as favoring every plan that may be working to stimulate the agricultural production of the country at a meeting of the Agricultural Commission of the organization in the afternoon. G. H. Powell, representing Mr. Hoover, said that the National Food Administration already has allocated its food shortage by the three methods of substitution, conservation and increased production. It was generally agreed, however, that the government alone could not stimulate food production sufficiently to meet the present demand of the United States and its allies. It would be necessary to obtain assistance from other sources, said Mr. Powell, or the American people would face hunger.

An example of conservation Mr. Powell explained that while the United States is at present the only available source of sugar for the Allies, and will produce this year only enough sugar for domestic needs, the United States must have 100,000 tons of sugar in order to sustain life.

Food Problems Still Unsolved

That the people of this nation can easily supply this deficiency by reducing the amount of sugar used at meal times from an extravagant surplus to an adequate amount was shown as an example of the conservation which every family should practice. He advocated the use of perishable foods instead of cereals and poultry instead of red meats, as the tonnage available for carrying food abroad is available for the intensive foods only, which therefore must be largely replaced at home by perishable products, which cannot be transported overseas, but are produced practically at the doors of the consumer.

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